

Barriers to Combined Heat and Power in New York

Michael Byrnes

Manager of Business Development

Trigen Energy Corporation

October 6, 1999



Energy Competition is Emerging

- **Efforts are underway to restructure the electricity market**
- **Global competition is encouraging outsourcing of industrial energy assets**
- **Critical questions:**
 - **What actions have been suppressed by monopoly protection?**
 - **How will competitive responses challenge current attitudes, assumptions and habits?**

Electric inefficiency due to outmoded regulatory approach

- **90 years of monopoly regulation**
 - **No rewards for efficiency -- all pass through**
 - **State law prevents competition**
- **Central generation paradigm has led to:**
 - **Government enacted barriers to efficiency**
 - **Customer inertia**
 - **Vendor focus on electric only technology**
 - **Aging capital stock of generation**

Benefits of CHP

- **Dramatically improves energy conversion efficiency - lessens reliance on fossil fuels**
- **Saves customers money - use less fuel to produce the same energy products**
- **Reinvestment in infrastructure improves competitiveness**
- **Improves the environment - reduced fuel combustion reduces pollution**

What Has Prevented Wide Use of CHP?

- **Numerous Electric Market Regulatory Barriers - Few Opportunities to serve**
- **Other non-electric market barriers**
 - **Environmental Laws that Ignore or Efficiency**
 - **Tax Policy**

Barriers to Competition

- **Competitive Transition Charges (CTC's) and Exit Fees**
- **Grid Interconnect Standards**
- **Standby (Backup) and Supplemental Energy Rates and Access**
- **Retail Access and 3rd Party Ownership**

Environmental Barriers

- **Input versus performance standards**
- **Old plants grandfathered**
- **New Source Performance Standard approach fosters continued use of existing plants**
- **Permitting is Lengthy**
- **Allocation of Allowances May Reinforce Market Power**
- **Displaced Emissions Not Recognized**



Federal and State Tax Policy

- **Federal Tax Depreciation**
 - Depreciation Schedules for Modern Energy Equipment are Inappropriate
- **State Gross Receipts Tax**
 - 3rd party supplier of steam or electricity must pay an 8% tax vs. self generation